

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NOS. 2001-230-C and 2001-263-C - ORDER NO. 2002-70

JANUARY 30, 2002

IN RE: Docket No. 2001-230-C – Revisions to the)	ORDER APPROVING
General Subscriber Service and Intrastate)	TARIFF REVISIONS,
Access Service Tariffs of Norway Telephone)	AGREEMENT, AND
Company, McClellanville Telephone)	CONSOLIDATED
Company, St. Stephen Telephone Company,)	REGULATORY
and Williston Telephone Company,)	TREATMENT
and)	
Docket No. 2001-263-C – TDS Telecom)	
Operating Companies Request for Approval)	
of Consolidated Regulatory Treatment.)	

This matter comes before the Public Service Commission of South Carolina (the Commission) on the requests for approval of revisions to the General Subscriber Service and Intrastate Access Service Tariffs of Norway Telephone Company, McClellanville Telephone Company, St. Stephen Telephone Company, and Williston Telephone Company (the TDS Companies), and on the request of the TDS Telecom Operating Companies (also the TDS Companies) for approval of consolidated regulatory treatment.

The TDS Companies have filed tariff revisions in Docket No. 2001-230-C requesting reductions in rates for certain services, as well as expanded calling scopes and a new lower-priced service option for the TDS TELECOM PLUS+ expanded calling plan. Further, the TDS Companies have requested that they be treated on a consolidated basis for regulatory purposes in Docket No. 2001-263-C.

Pursuant to the instructions of the Commission's Executive Director, the TDS Companies have published, one time, in newspapers of general circulation, Notices of Filing, describing the requests of the TDS Companies as stated hereinabove. No Protests were received. However, the Consumer Advocate for the State of South Carolina (the Consumer Advocate) filed Petitions to Intervene in both Dockets.

Accordingly, a hearing was commenced on January 16, 2002 at 10:30 AM in the offices of the Commission, with the Honorable William Saunders, Chairman, presiding. Margaret M. Fox, Esquire, represented the TDS Companies. Elliott F. Elam, Jr., Esquire, represented the Consumer Advocate. F. David Butler, General Counsel, represented the Commission Staff. At the beginning of the hearing, it was announced that a settlement agreement had been reached between the TDS Companies and the Consumer Advocate. The two parties filed a joint motion for approval of the settlement agreement. The Commission Staff announced that it had no problems with the proposed settlement. The parties then stipulated into the record all of the prefiled testimony and exhibits in both dockets. In Docket No. 2001-230-C, the TDS Companies stipulated into the record the prefiled testimony of James C. Meade. In Docket No. 2001-263-C, the TDS Companies also stipulated into the record the testimony of James C. Meade, and the direct and rebuttal testimony of Jeffrey S. Handley. The Commission Staff stipulated into the record the testimony and exhibits of Barbara J. Crawford, David S. Lacoste, and James E. Spearman.

We have reviewed the proposed settlement agreement between the TDS Companies and the Consumer Advocate, which was concurred in by the Commission

Staff, and, after due consideration as explained below, we grant the motion to review and approve the agreement as proposed. We agree with the TDS Companies and the Consumer Advocate that the resolution is in the best interests of the citizens of the State of South Carolina, since the Agreement resolves all outstanding legal issues between the parties in the above-referenced dockets and provides for certain rate reductions that will benefit consumers. The terms of the agreement are as described below.

McClellanville Telephone Company, Norway Telephone Company, and Williston Telephone Company will reduce charges for their respective tariffed residential basic flat rate services (R-1) to the current R-1 rate for St. Stephen Telephone Company, which is \$13.29. Further, McClellanville Telephone Company, Norway Telephone Company, and Williston Telephone Company will reduce charges for their respective tariffed business basic flat rate services (B-1) to the current B-1 rate for St. Stephen Telephone Company, which is \$25.60. Also, St. Stephen will forego any previously approved rate increase associated with the Interim Local Exchange Carrier Fund. The parties acknowledge that the TDS Companies assert that basic flat rate residential and business services are currently priced below cost, but as consideration for this agreement, the TDS Companies nevertheless agree to implement the proposed rate reductions if approved by the Commission.

The TDS Companies also agree to reduce the rate for the new calling plan option described in its tariff filing in Docket No. 2001-230-C. The offering proposed by the TDS Companies in its tariff revisions would permit customers to subscribe to the TDS TELECOM PLUS+ expanded calling plan, with an allowance of 480 minutes per month,

for a monthly fee of \$33.50 for residential customers and \$41.50 for business customers. The TDS Companies agree instead to offer this new optional service at a monthly rate of \$32.00 for residential customers and \$40.00 for business customers.

The parties agree that the TDS Companies will implement such rate reductions only after all appeals, if any, arising out of Docket Nos. 2001-230-C or 2001-263-C, or any other proceeding arising out of this Agreement or any proceeding encompassed the Agreement, have been resolved, and the orders issued in such matters have become final, non-appealable orders. The TDS Companies and the Consumer Advocate agree that the Commission should allow the TDS Companies up to one hundred twenty (120) days after issuance of the Commission's final order to fully implement the rate reductions and calling options described in the agreement and contained in the tariff filing submitted in Docket No. 2001-230-C. These changes may be implemented on a staggered basis within that time frame to account for differences in billing cycles among the four TDS South Carolina operating companies.

In addition, the parties have further agreed to request that this Commission approve an authorized rate of return on rate base for the consolidated companies in the range of 11.2% to 12.2%. This represents a range that is 50 basis points below and 50 basis points above the upper end of the range determined to be appropriate by Staff witness Spearman. The range is 60 to 160 basis points below the 12.8% consolidated rate of return on rate base requested by TDS in Docket No. 2001-263-C, which represented a weighted average of the current authorized rates of return of the four individual TDS South Carolina operating companies. The parties believe that 11.2% to 12.2% is an

appropriate range and will allow TDS the opportunity to earn a fair and reasonable return on its investment.

As consideration for the TDS companies' agreements, the Consumer Advocate agrees not to contest any other matters contained in Docket Nos. 2001-230-C and 2001-263-C, and not to appeal or otherwise challenge any other order arising out of any matter encompassed by the Agreement between the parties.

Further, the TDS Companies agree that they will not seek additional State Universal Service Funding support as a result of having reduced the rates of the R-1 and B-1 services pursuant to the terms listed above. Any claims that the TDS Companies make might make for support from Commission-approved South Carolina Universal Service Fund shall be calculated for revenue purposes as if the R-1 and B-1 reductions had not been made. The Agreement between the parties, other than as just stated, shall not affect the determination of the size of the fund, which will continue to be in accord with Section 58-9-280 of the South Carolina Code of Laws and applicable federal law.

Both the TDS Companies and the Consumer Advocate acknowledge and agree that this agreement is the compromise of doubtful and disputed claims and shall not be construed as an admission of liability on the part of any party. Also, the parties agree that the agreement does not establish a precedent with respect to the issues resolved, and that they will not claim hereafter in any proceeding that any such precedent was established. Further, the parties agree that the rate reductions agreed to represent a compromise of such claims and shall not be considered a refund or credit of any specific charges paid by customers for services provided by the TDS Companies. The agreement also provides

language as to the parties' rights in the event that this Commission rejects any part of the Agreement.

We have examined this agreement, and believe that approval of it in its entirety is in the public interest. The agreement contains certain rate reductions in existing and proposed rates, which we believe are certainly advantageous to the consumers in the service areas of the TDS Companies. Treatment of the TDS Companies in a consolidated manner is reasonable under the circumstances, and we approve a rate on return on rate base of 11.2% to 12.2% for the consolidated companies. This is lower than the current weighted average of the authorized rates of return for the four TDS South Carolina operating companies.

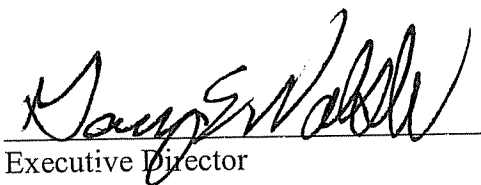
Accordingly, the Motion is granted and the Agreement is approved, as are the tariff revisions, and the requested consolidated regulatory treatment of the TDS Companies. The TDS Companies shall file tariffs reflecting the approved changes with the Commission within fifteen (15) days of receipt of this Order. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:



Executive Director
(SEAL)